

# Kelber Catering Contract Extension 2012



# Brief History

- Kebler Catering has been the concessionaire and caterer at the Convention Center since our inception
- A partnership has developed with Kelber Catering that has caused this contract to not go out to bid
  - During the expansion of the Convention Center Kelber Catering agreed to fund the purchase of food and beverage equipment and to build out the “bricks and mortar” of the kitchen
    - Kelber entered into two Promissory Notes with the City to accomplish these tasks; one note was fully paid in June of this year (2012) and the second note has a pay off date of June of 2022

# Brief History

- In 2008, the contract was extended to 12/31/2016 in exchange for a \$2 million investment in remodeling nine (9) concession stands and creating our Dunn Brothers Coffee outlet

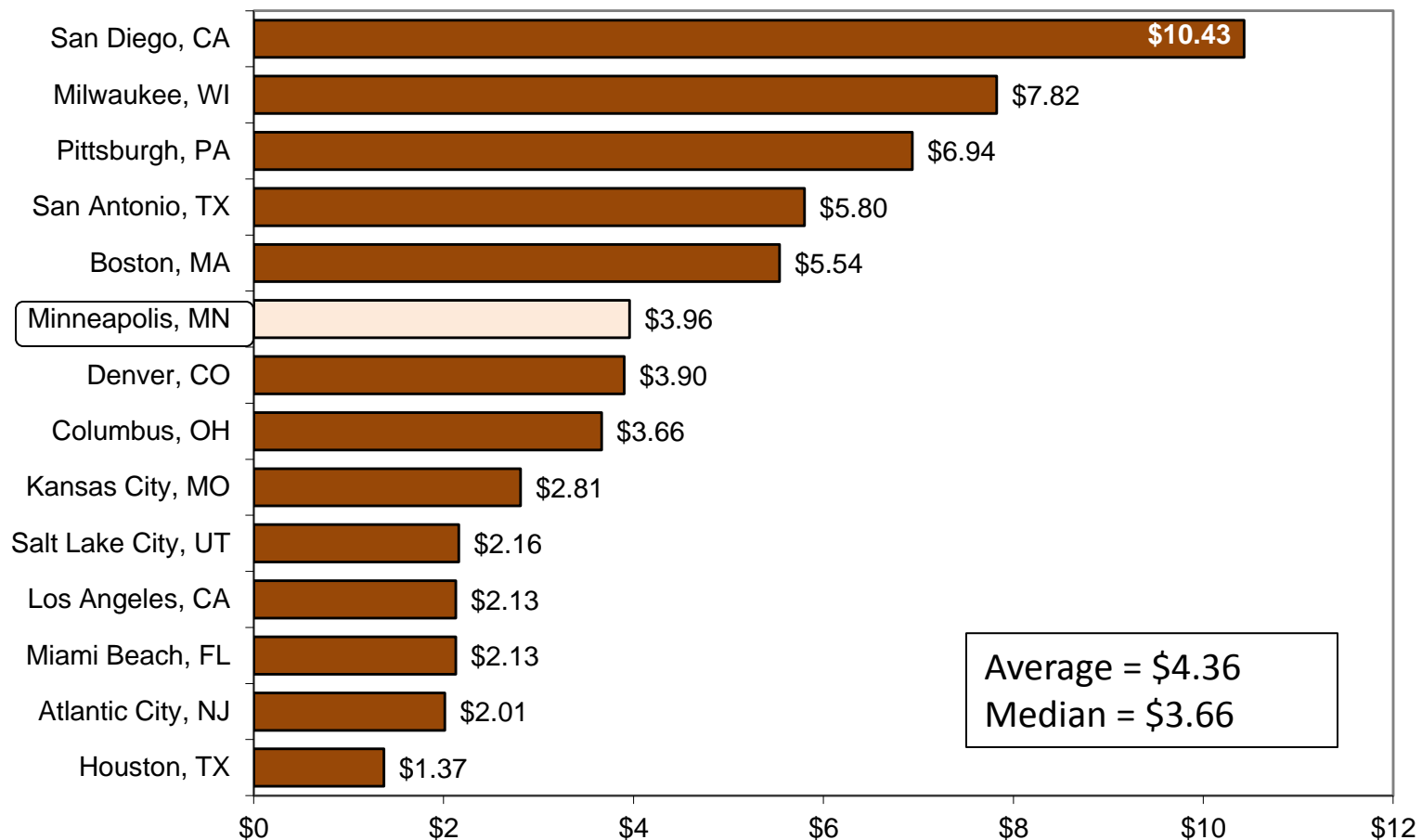


# Brief History

- In 2010 Convention and Sports Leisure (CSL) reviewed the Convention Center's revenue sources
  - CSL's findings showed that the Convention Center was below average in food and beverage revenue per square foot as compared to a group of 14 competitors

# Comparison of Net Food & Beverage Revenue per Square Foot – Competitive & Comparable Facilities

The MCC generates approximately 91% of the average facility on a per-sellable square foot basis.



Note: Sellable square feet include all available exhibit, meeting and ballroom space. Average and median calculations exclude the MCC.  
Source: CSL, Facility Management, 2010

# Reasons to Extend

- Kelber Catering is a family owned company that has provided a quality product and service level that has created a positive reputation for our destination
  - Since 2009, 76% of all client survey respondents rated Kelber Catering as either Exceeds Expectations or Exceptional regarding their service
  - Since 2009, 71% of all client survey respondents rated Kelber Catering as either Exceeds Expectations or Exceptional regarding their food quality
    - The quality and variety of food from Kelber was very good! American Association of Museums
    - Kelber Catering is superb! American Legion





# Reasons to Extend

- The remaining Promissory Note that Kelber Catering holds has \$1.4 million outstanding and total repayment would not be guaranteed after 2016
- We have worked with a national food and beverage consultant to create favorable terms for an extension for the Convention Center
- Acquiring more revenue from food and beverage will help us reach our goal of reducing our subsidy to \$8 million by 2015 thus lessening our reliance on sales tax revenue

# Terms of an extended contract

- Contract extended to 12/31/2022 with a five (5) year extension at the City's sole option
- Cash payments totaling \$3.6 million from 2013 to 2022
- Convention Center assumes ownership of all food and beverage equipment at depreciated value versus appraised value at contract end (\$2.6 million value)
- Convention Center receives the right to sell food and beverage sponsorships (\$100,000+ annual revenue opportunity)
- Kelber Catering contractually obligated to support sustainability programs of the City and Convention Center
- **Added by PRC:** Kelber Catering to provide a financial instrument like a performance bond or irrevocable line of credit of \$100,000 in case of default to provide guarantee on two weeks of payroll and two weeks of normal supply costs

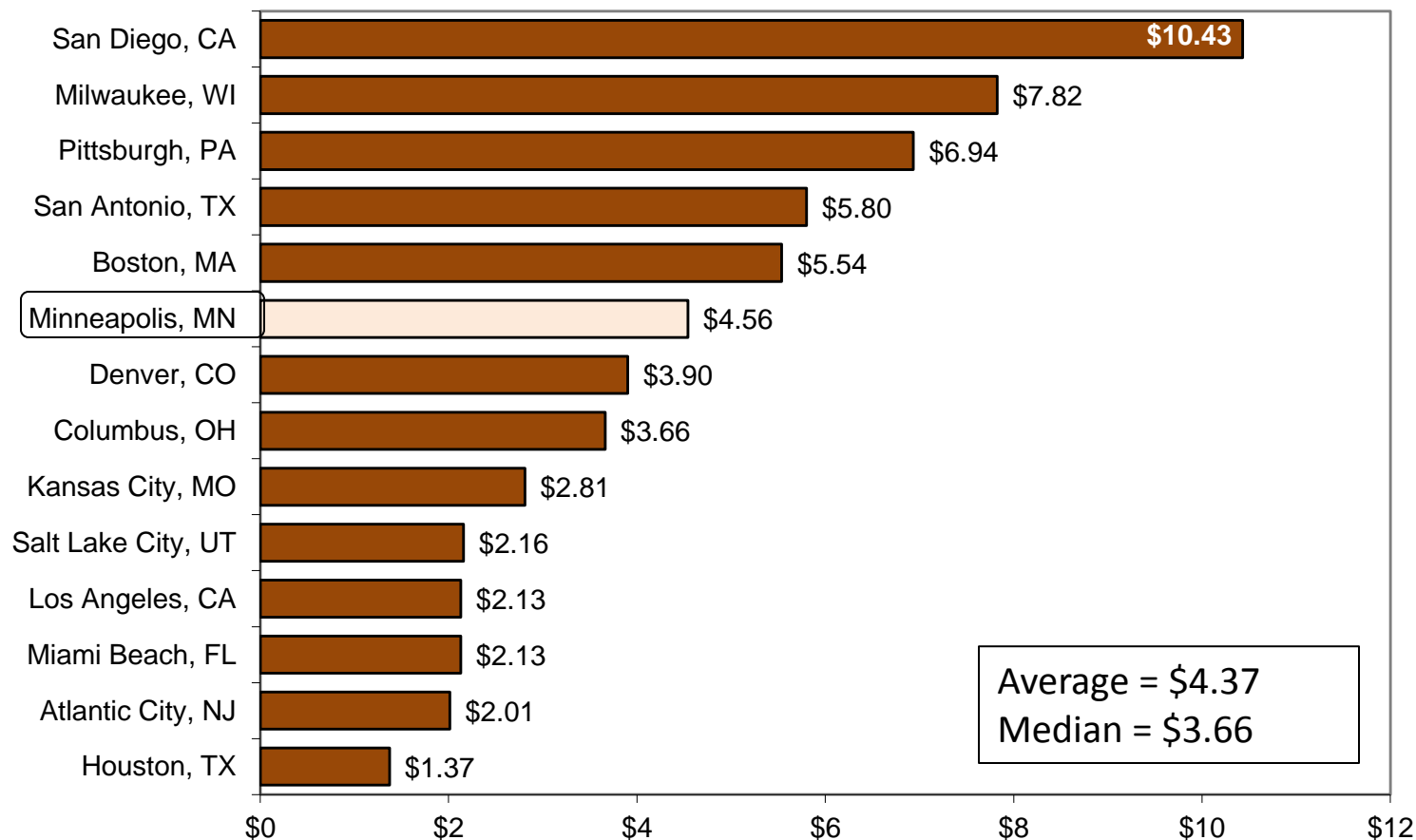


# Impact

- \$300,000 to \$500,000 additional revenue per year
- Assurance of contractual obligation to repay remaining Promissory Note
- Manage our risk and expenses through financial instrument and equipment rights
- Keep a partner that our clients value and provides stability for our current and future clients
- Fair deal as compared to our industry as described by national food and beverage consultant
- Place ourselves in an above average industry position for food and beverage revenue

## Comparison of Net Food & Beverage Revenue per sf – Competitive/Comparable Facilities (added MCC revenue scenario)

With an additional \$360,000 in annual F&B revenue, the MCC would generate approximately 104% of the average facility on a per-sellable square foot basis.



Note: Sellable square feet include all available exhibit, meeting and ballroom space. Average and median calculations exclude the MCC.  
Source: CSL, Facility Management, 2010

# Action Requested

- Request to authorize appropriate City staff to amend and extend the Kelber Catering, Inc. contract without going out for a public request for proposal

